

**RESOLUTION NO. 2001-52**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LODI  
AUTHORIZING AN AMENDMENT TO AN EXISTING TRANSACTION,  
A SECOND TRANSACTION AND AMENDMENTS TO TRANSACTIONS  
AND NEW TRANSACTIONS, IN EACH CASE UNDER A MASTER SWAP  
AGREEMENT AND DIRECTING CERTAIN ACTIONS RELATING THERETO**

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WHEREAS, the City of Lodi, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), owns and operates a municipal electric utility (the "Electric System") to provide the inhabitants of the City with electricity; and

WHEREAS, to finance and refinance the costs of certain additions, betterments and improvements to the City's Electric System, including the acquisition and construction of certain transmission and distribution facilities for the Electric System, the City has entered into an Installment Purchase Contract (the "Installment Purchase Contract"), dated as of August 1, 1999 between the City and the Lodi Public Improvement Corporation (the "Corporation"), under which the City is obligated to make installment payments (the "Payments") to the Corporation for the purchase of certain improvements to the Electric System as provided in the Installment Purchase Contract; and

WHEREAS, pursuant to a Trust Agreement (the "Trust Agreement") dated as of August 1, 1999 between the Corporation and BNY Western Trust Company, as Trustee, there have been executed and delivered Electric System Revenue Certificates of Participation, 1999 Series A Current Interest Certificates and Electric System Revenue Certificates of Participation, 1999 Series B Capital Appreciation Certificates (collectively, the "Certificates"), evidencing and representing proportionate interests of the owners thereof in the Payments to be made by the City; and

WHEREAS, the City's obligation to make Payments under the Installment Purchase Contract is a special obligation payable solely from Net Revenues (as defined in the Installment Purchase Contract) of the Electric System; and

WHEREAS, in order to provide a mechanism for economically converting the fixed interest rate applicable to the Certificates to a variable rate for a specified term, the City has entered into an interest rate swap agreement (the "Original Transaction") with Salomon Brothers Holding Company Inc (the "Counterparty"); and

WHEREAS, the terms and conditions of the Original Transaction are set forth in the ISDA Master Agreement, as amended and supplemented by the U.S. Municipal Counterparty Schedule to the Master Agreement and the ISDA Credit Support Annex to the Schedule to the ISDA Master Agreement (the "Credit Support Annex"), each dated as of September 29, 1999 and each between the City and the Counterparty (such ISDA Master Agreement, as so amended

and supplemented, being referred to herein as the "Swap Agreement"), and the Confirmation (the "Original Confirmation"), dated September 29, 1999 between the City and the Counterparty; and

WHEREAS, the City proposes to amend the terms of the Original Transaction by modifying the timing and amount of payments thereunder for a specified period as set forth in the Amendment Number One To Transaction (such Amendment Number One to Transaction in the form submitted to this meeting, as the same may be modified and completed in accordance with this Resolution, being referred to herein as the "Amendment"); and

WHEREAS, in order to provide a mechanism for reducing the exposure to changes in the variable interest rate payable by the City under the Original Transaction (and thereby reducing the interest costs to the City with respect to the Certificates), the City proposes to enter into a second Transaction under the Swap Agreement (the "Second Transaction"); and

WHEREAS, the specific terms of the Second Transaction shall be contained in a confirmation (the "Second Transaction Confirmation") to be delivered on the date the final terms of the Second Transaction are agreed upon by the parties; and

WHEREAS, the City's obligations under the Second Transaction may be secured by security arrangements described in the Credit Support Annex or by an insurance policy; and

WHEREAS, the City's obligations under the Original Transaction are, and the City's obligations under the Second Transaction will be, special obligations payable solely from Net Revenues of the Electric System on a parity with the City's obligations to make the Payments under the Installment Purchase Contract; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LODI, AS FOLLOWS:

Section 1. The Amendment to the Original Transaction, in the form submitted to this meeting and on file with the City Clerk, is hereby approved, and the City Manager and the Finance Director, each acting singly, are hereby authorized to execute the Amendment in substantially said form with such additions, insertions and changes as are not inconsistent with this Resolution as the officer executing such document may approve, with such approval to be conclusively evidenced by the execution and delivery thereof. The payment to be made by the Counterparty to the City pursuant to the Amendment shall not be less than One Million Dollars and the Amendment shall not suspend the exchange of payments pursuant to the Original Transaction for more than five years.

Section 2. The Second Transaction with the Counterparty whereby the City agrees to pay the Counterparty a variable rate of interest on a notional amount based on the BMA

Municipal Index and the Counterparty agrees to pay the City a variable rate of interest on the same notional amount based on Three Month LIBOR is hereby approved and the City Manager and the Finance Director, each acting singly, are hereby authorized to enter into the Second Transaction and accept and execute the Second Transaction Confirmation setting forth the terms of the Second Transaction; provided, however, that the following limitations shall be applicable to the Second Transaction Confirmation and Second Transaction: (i) the term of the Second Transaction shall not exceed the final maturity of the Certificates, (ii) the aggregate notional amount of the Second Transaction shall not exceed \$42,000,000, (iii) the rate payable by the City at any time under the Second Transaction shall not exceed the then effective BMA Municipal Index (as published by Municipal Market Data) or any successor index under the Swap Agreement plus 100 basis points, (iv) the variable rate to be received by the City under the Second Transaction shall not be less than Fifty Percent (50%) of the Three Month LIBOR rate or any successor index under the Swap Agreement, (v) all payment obligations of the City under the Second Transaction Confirmation and the Second Transaction shall be special obligations payable solely from Net Revenues of the Electric System on a parity with the City's obligations to make the Payments under the Original Transaction and the Installment Purchase Contract, (vi) if determined by the officer executing the Second Transaction Confirmation to be in the best interests of the City, the Second Transaction Confirmation may contain a limit on the rate payable by the City under the Second Transaction (which determination shall be conclusively evidenced by the execution of the Second Transaction Confirmation containing such limitation).

Section 3. The securing of the City's obligations under the Second Transaction either through the use of an insurance policy or the Credit Support Annex is hereby authorized and approved. The City Manager and the Director of the Electric Utility, each acting singly, are hereby authorized to determine whether to utilize an insurance policy or the Credit Support Annex to secure the City's obligations under the Second Transaction, which determination shall be made on the basis of which security arrangement is in the best interests of the City and which determination shall be conclusively evidenced by the execution and delivery of the Credit Support Annex or the delivery of an insurance policy, as applicable.

Section 4. Subject to the satisfaction of the conditions contained in Section 5922 or Section 53534 of the California Government Code, or any other applicable statutory authority authorizing the City to enter into Transactions under the Swap Agreement, the City Manager and the Director of the Electric Utility, each acting singly, are hereby authorized to execute amendments to any Transaction, or to enter into a new Transaction satisfying the parameters of Section 2 of this Resolution or Section 2 of the resolution of this City Council authorizing the Original Transaction, upon the determination by the officer of the City executing such amendment or the Confirmation setting forth the terms of such Transaction that: (i) such amendment or Transaction, as applicable, is designed to reduce the amount or duration of payment, interest rate, spread or similar risk with respect to the Certificates or result in a lower cost of borrowing in connection with the Certificates when used in combination with the Certificates; and (ii) the net amount payable by the City under all Transactions under the Swap Agreement from the effective date of such amendment or Transaction, as applicable, to and including the next succeeding January 15 or July 15 (whichever first occurs), calculated as provided in the next sentence is less than the amount payable by the City if such amendment or Transaction is not entered into by the City. The amount payable by the City and the Counterparty under a Transaction shall be determined using any fixed rate payable under the

Transaction and, with respect to any variable payable under the Transactions, using the average of the applicable variable rate for the three months immediately preceding the month in which such amendment becomes effective or the date of the Confirmation for such Transaction, as applicable. The determinations required by the immediately preceding sentence with respect to any amendment to a Transaction or a new Transaction shall be conclusively evidenced by such officer's execution of such amendment or the Confirmation relating to such Transaction.

Section 5. The City hereby finds and determines that the Amendment, the Second Transaction authorized hereby and the program of contracts authorized by Section 4 of this Resolution are each designed to reduce the amount or duration of interest rate risk and the amount of interest cost to the City with respect to the Certificates.

Section 6. The City Manager, the Finance Director, the City Attorney and the City Clerk and all other appropriate officials and employees of the City are hereby authorized and directed to execute such agreements, documents and certificates, and to take such actions, as may be necessary or convenient to carry out the City's obligations under and to effect the purposes of the Amendment, the Second Transaction, the Second Transaction Confirmation, this Resolution and the transactions herein authorized.

Section 7. Capitalized terms used in this Resolution and not otherwise defined shall have the meanings given such terms pursuant to the Swap Agreement.

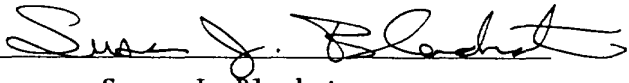
Section 8. This Resolution shall take effect immediately upon its passage.

Date: February 21, 2001

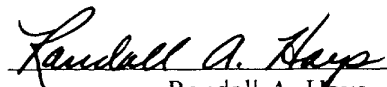
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I hereby certify that Resolution 2001-52 was passed and adopted by the City Council of the City of Lodi in a regular meeting held February 21, 2001 by the following votes:

AYES:	Council Members -	<b>Hitchcock, Howard, Land, Pennino and Mayor Nakanishi</b>
NOES:	Council Members -	<b>None</b>
ABSENT:	Council Members -	<b>None</b>

  
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Susan J. Blackston  
City Clerk

Approved As to Form:

  
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Randall A. Hays  
City Attorney